

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has revoked Zeng Huiyu's ("**Zeng**") licence and prohibited her from re-entering the industry for five years pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that Zeng's fitness and properness has been called into question as a result of her highly suspicious trading in the shares of Nexen Inc. ("**Nexen**"), a company listed on the New York Stock Exchange ("**NYSE**"), from 16 July to 19 July 2012.
3. Zeng accepts the SFC's disciplinary action without admitting liability.

Summary of Facts

4. On 23 July 2012 before the NYSE opened for trading, CNOOC Limited ("**CNOOC**") announced that it had entered into an agreement to acquire Nexen for US\$15.1 billion or US\$27.5 per share (the "Announcement"). The acquisition price of US\$27.5 per share represented a 61 percent premium over Nexen's closing price on 20 July 2012. Following the Announcement, the shares of Nexen closed at US\$25.90 compared to the previous day's closing price of US\$17.06, an increase of about 52 percent.
5. On 27 July 2012 and amended on 3 August 2012, the US Securities and Exchange Commission ("**SEC**") filed a complaint against a number of defendants including "Certain Unknown Traders in the Securities of Nexen in an Account of Phillip Securities PTE Ltd" for illegal insider trading in Nexen shares prior to the Announcement. Zeng was subsequently identified as one of the unknown traders¹.
6. Following the SEC's referral of the matter, the SFC found that from 16 to 19 July 2012, Zeng had purchased 25,000 Nexen shares for her personal account maintained with GF Securities (Hong Kong) Brokerage Ltd ("**GF Securities**") and another 135,000 Nexen shares for three client accounts over which she had a discretionary authority for around US\$2,660,000.
7. Zeng placed the trades to an omnibus account held in the name of Phillip Securities PTE Ltd ("**Phillip Account**"), a Singapore based brokerage firm, via GF Securities. Prior to July 2012, there was negligible trading in the shares of Nexen in the Phillip Account.
8. On 23 July 2012, Zeng sold almost all the Nexen shares she had bought for herself and her three discretionary client accounts. Zeng's sale of the Nexen

¹ Zeng agreed to the SEC entering final judgment against her, without admission or denial of liability in relation to the allegations in the Complaint. Zeng agreed, among other things, to pay a sum of around US\$404,000 to the SEC representing disgorgement of her trading profits in the Nexen shares and a penalty.

shares generated profits of around US\$202,000 for her own account and around US\$1,244,000 for her three client accounts.

9. In the circumstances, the SFC considers the timing, size and profitability of Zeng's trades in Nexen shares to be highly suspicious given her negligible trading in Nexen shares prior to July 2012. The SFC is of the view that Zeng traded Nexen shares while in possession of material, non-public information about CNOOC's proposed acquisition of Nexen.

Conclusion

10. Having considered all the circumstances, the SFC is of the opinion that Zeng's fitness and properness to remain licensed has been called into question.
11. In coming to the decision to take disciplinary action against Zeng, the SFC has decided that the sanction of revocation and prohibition is most appropriate and commensurate with the view of the SFC in relation to the matters in the Statement of Disciplinary Action.
12. In addition, the SFC has taken into account Zeng's clean disciplinary record and her co-operation in resolving this matter with the SFC.